Department of State TELEGR

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ACTION EA-12

INFO OCT-01 ADS-00 COME-00 ICAE-00 SSO-00 TRSE-00
AID-05 CIAE-00 EB-08 FRB-03 INR-10 NSAE-00 XMB-02/
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TO SECSTATE WASHDC IMMEDIATE 9891

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY KSO DATE 5/21/82
RDS☐or XDS☐EXT. DATE
TS AUTH. REASON(S)
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED☐ RELEASABLE☑
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PASS EXIMBANK

E.O. 12065: N/A
TAGS: EFIN, EXIM, KS
SUBJECT: FINANCING FOR NUCLEAR UNITS NUMBER 7 AND 8

1. ON THE MORNING OF JULY 27, EMBASSY RECEIVED A SERIES OF CALLS FROM SUNG NAK-CHUNG, EXECUTIVE VICE PRESIDENT OF KECO, KIM SUN-CHANG, CHIEF OF KECO'S NUCLEAR PLANNING DEPARTMENT, AND LOCAL WESTINGHOUSE REPRESENTATIVES, EXPLAINING YET ANOTHER GLITCH IN THE NUCLEAR 7 AND 8 PROJECT. SUNG AND THE OTHERS EXPLAINED THAT ON JULY 26 AND AGAIN ON THE MORNING OF JULY 27 KECO HAD BRIEFED THE ECONOMIC PLANNING BOARD (EPB) ON THE FINANCIAL PACKAGE FOR THE PROJECT AND THAT EPB HAD REFUSED TO GIVE ITS APPROVAL FOR THE FINANCING. EPB TOLD KECO THAT IT CONSIDERED THE PEPCO PORTION OF THE LOAN, TO BE APPLIED AGAINST LOCAL COSTS, INFLATIONARY. EPB SUGGESTED TO KECO THAT IT SEEK APPROVAL FROM EXIMBANK TO APPLY THE PEPCO PORTION OF THE LOAN AGAINST THE REMAINING 15 PERCENT OF THE COST OF U.S. GOODS AND SERVICES WHICH WAS NOT COVERED BY THE EXIMBANK LOAN. EPB CONTINUED THAT THE LOCAL LOAN SHOULD BE USED TO FINANCE LOCALLY SUPPLIED GOODS AND SERVICES. UNDER THIS
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PROPOSAL EXIMBANK WOULD BE PROVIDING FINANCING FOR 100

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PERCENT OF U.S. SUPPLIED GOODS AND SERVICES.

2. FOLLOWING OUR DISCUSSIONS WITH KECO AND WESTINGHOUSE, ECON COUNSELOR HELD A DISCUSSION WITH TCHAH HWA-JOON, ASSISTANT MINISTER FOR ECONOMIC COOPERATION, IN WHICH IT WAS EXPLAINED THAT KECO HAD BEEN AWARE OF THE STRUCTURE OF THE FINANCIAL PACKAGE SINCE LAST NOVEMBER, AND WE COULD NOT UNDERSTAND WHY EPB THINKS THAT SWITCHING THE PEFCO AND KECO PORTIONS OF FINANCING WOULD HAVE ANY OR ANY APPRECIABLE ECONOMIC EFFECT. WE EXPLAINED THAT WE DID NOT BELIEVE IT WAS POSSIBLE FOR EXIMBANK TO FINANCE 100 PERCENT OF THE COSTS OF U.S. GOODS AND SERVICES BECAUSE OF EXISTING FINANCING AGREEMENTS WITH OTHER COUNTRIES. TCHAH, WHO HAD TO RUSH TO NATIONAL ASSEMBLY, DID NOT CONTRADICT THESE
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ARGUMENTS BUT SAID THAT EPB WOULD MUCH RATHER HAVE KECO FINANCE LOCAL COSTS. TCHAH THOUGHT THAT PERHAPS PEFCO COULD LEND MONEY TO A KOREAN BANK, E.G. KEB WHICH THEN IN TURN COULD USE IT TO PURCHASE 15 PERCENT OF U.S. GOODS AND SERVICES. HE ASKED THAT WE FORWARD THIS REQUEST TO WASHINGTON.

3. IN SUBSEQUENT TELEPHONE CONVERSATION WITH JOHN GREGORY EMBASSY REQUESTED THAT THE ABOVE BE RELAYED TO GERALD SOLOMON OF EXIMBANK. THIS WAS DONE, AND EMBASSY LEARNED IN A SUBSEQUENT TELEPHONE CONVERSATION THAT BECAUSE OF EXPORT CREDIT ARRANGEMENTS WITH OTHER COUNTRIES IT WOULD NOT BE POSSIBLE TO SWITCH FINANCING AS REQUESTED BY EPB. FURTHER, KECO COULD MEET THE EXIMBANK DEADLINE FOR FILING THE LOAN APPLICATION BY SUBMITTING IT UNDER THE CURRENT TERMS PROPOSED BY EXIMBANK AND EITHER WORKING OUT THE
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DETAILS WITH EPB AT A LATER DATE OR CANCELLING THE APPLICATION. THESE FACTS WILL BE PASSED ALONG TO BOTH EPB AND KECO.

4. COMMENT: REQUEST IMMEDIATE TELEGRAPHIC CONFIRMATION OF WHAT IS AND IS NOT POSSIBLE. EMBASSY IS CONFIDENT THAT WITH THAT IN HAND EPB CAN BE TURNED AROUND. GLEYSTEEN

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